

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 RSR-01 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08

CEA-02 EUR-25 AGR-20 /172 W
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R 021931Z JUL 73

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC 5900

INFO AMEMBASSY KINGSTON

AMEMBASSY GEORGETOWN

AMEMBASSY PORT OF SPAIN

AMCONSUL NASSAU

AMCONSUL BELIZE

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E.O. 11652: N/A

TAGS: EGEN EEC BB BW US

SUBJ: COMMONWEALTH CARIBBEAN ECONOMIC INTEGRATION

REF: STATE 099857

SUMMARY

THE GOB IS COMMITTED TO ECONOMIC INTEGRATION. HOWEVER, IT HAS CLOSELY GUARDED GEORGETOWN DOCUMENTS, HAS HELD NO DISCUSSION ON THE SUBJECT IN CABINET OR ELSEWHERE EXCEPT REFERENCES IN PM'S BUDGET SPEECH AND INCARIBBEAN COMMUNITY TO BARBADOS AS "FAIT ACCOMPLI." PURPOSE OF SUCH PROCEDURE IS CLEARLY TO DELAY REALIZATION BY GENERAL PUBLIC OF FULL ECONOMIC IMPACT ON BARBADOS WHICH IN SHORT RUN LIKELY TO BE ADVERSE. BASED ON THEIR CARIFTA EXPERIENCE, ASSOCIATED STATES (CALLED HERE LDC'S AS OPPOSED TO 4 INDEPENDENT COUNTRIES, MDC'S, WILL NOT ACCEDE UNLESS THEY SEE REAL BENEFITS. SINCE LDC'S AS UK DEPENDENCIES CAN CHOOSE LIMITED OFFICIAL USE
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THEIR FORM OF ASSOCIATION WITH THE EEC, THEIR JOINING CARIBBEAN COMMUNITY WILL DEPEND ON ABILITY OF FOUR INDEPENDENTS TO NEGOTIATE BETTER TERMS THAN LDC'S WOULD OTHERWISE RECEIVE. ACTUALLY BARBADOS' FINAL POLICIES AND PROCEDURES WITHIN CARIBBEAN COMMUNITY AND VIS-A-VIS EEC

WILL NOT BECOME FULLY APPARENT UNTIL AFTER UPCOMING MEETINGS IN POS JULY 3-5 WHEN, IN ADDITION TO SIGNING TREATY ESTABLISHING CCCM, THEY WILL HAVE TO FINALIZE THEIR JOINT APPROACH TO THE EEC FOR BRUSSELS CONFERENCE JULY 25.

1. GENERAL

(A) ALMOST NO INFORMATION HAS BEEN AVAILABLE IN BARBADOS FROM EITHER OFFICIAL OR OTHER SOURCES CONCERNING GEORGETOWN ACCORD AND ACCOMPANYING ARRANGEMENTS, I.E. IMPLEMENTATION OF COMMON EXTERNAL TARIFF, HARMONIZATION OF FISCAL INCENTIVES, ETC. THERE HAS BEEN NO DEBATE IN THE HOUSE OF ASSEMBLY ON THIS SUBJECT AND THE ONLY REFERENCES IN THAT FORUM WERE CONTAINED IN PM'S BUDGET SPEECH (BRIDGETOWN 0781). THE OFFICIAL OPPOSITION BARBADOS LABOUR PARTY'S CALLS FOR A "WHITE PAPER" HAVE BEEN IGNORED; AND BECAUSE OF THE BLP'S WEAK PARLIAMENTARY POSITION THE GOB CAN BE EXPECTED TO IGNORE THEIR COUNTERCLAIMS (BRIDGETOWN 0798). THE INTENTION OF THE PM APPEARS TO BE PRESENTATION OF THE WHOLE PACKAGE AS A "FAIT ACCOMPLI."

(B) THE GOB'S SILENCE ON THE SUBJECT, TOGETHER WITH THE TARIFF INCREASES DESCRIBED IN THE PM'S BUDGET SPEECH, LEADS TO THE CONCLUSION THAT BARBADOS' PARTICIPATION IN THE CARIBBEAN COMMUNITY WILL HAVE SOME ADVERSE ECONOMIC EFFECTS IN BARBADOS, PARTICULARLY IN THE SHORT RUN. DESPITE THE PRIME MINISTER'S CLAIMS, IT IS QUESTIONABLE WHETHER THE IMMEDIATE INFLATIONARY IMPACT WILL BE OFFSET BY COMPENSATORY BENEFITS TO BE DERIVED IN INDUSTRIAL EXPANSION, PARTICULARLY SINCE CONCESSIONS TO THE LDC'S MAY MAKE BARBADOS LESS ATTRACTIVE TO POTENTIAL INVESTORS. THE FACT IS THAT BARBADOS ALREADY HAS AN INFLATION RATE OF ABOUT 12 PERCENT, AND THE TARIFF INCREASES WILL HAVE A SUBSTANTIAL IMPACT. BECAUSE OF HER SMALL SIZE, LACK OF RESOURCES, AND LOW LEVEL OF INDUSTRIALIZATION, GOB PARTICIPATION IN THE NEW COMMUNITY WILL REQUIRE CONSIDERABLE SACRIFICE ON THE PART OF THE AVERAGE BARBADIAN. AS ONE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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BARBADIAN SAID IN EXPRESSING HIS DOUBTS, "JAMAICA WILL WIN."

(C) IN GENERAL, THERE IS CONSIDERABLE RESERVATION ABOUT THE PRACTICAL ADVANTAGES OF THE CARIBBEAN COMMUNITY, PARTICULARLY ON THE PART OF THE SMALLER ISLANDS (WIAS AND MONTserrat). THEY HAVE BEEN UNHAPPY THAT CARIFTA HAS PROVED OF NO BENEFIT TO THEM AND ARE UNLIKELY TO SHOW ANY ENTHUSIASM FOR ANY NEW GROUPING UNLESS AND UNTIL IT CAN BE PROVED THAT CONCRETE ECONOMIC BENEFITS WILL DERIVE TO THEM. IN THEIR VIEW, THE STRUCTURE OF THE CARIBBEAN COMMUNITY AND COMMON MARKET SEEMS ESSENTIALLY FRAGILE AND DEVELOPED MAINLY AS A NEGOTIATING TOOL. DESPITE PUBLIC COMMITMENT TO THE GENERAL IDEA, THERE IS CONSIDERABLE UNEASE ON THE PRACTICAL ASPECTS,

WHETHER THEY WILL IN FACT WORK, AND WHETHER THE RESULT WILL NOT SIMPLY BE INCREASED INFLATION. THERE IS ALSO CONSIDERABLE DOUBT THAT EXPANDED FISCAL REVENUES WILL IN FACT ATTRACT INDUSTRY.

2. WITH REFERENCE TO THE POINTS RAISED IN REFTTEL:

(A) THE GOB OBJECTIVE IS PROBABLY COMPARABLE TO THAT OF THE OTHER THREE INDEPENDENT COUNTRIES, I.E., TO GET THE BEST POSSIBLE DEAL FROM THE EEC. UNQUESTIONABLY, BARBADOS' NEGOTIATING POSITION IS CONSIDERABLY STRONGER AS A MEMBER OF A GROUP THAN IT WOULD BE ALONE, SINCE IT IS THE SMALLEST OF THE FOUR INDEPENDENTS AND LACKS THEIR RESOURCES. THE MOST IMPORTANT CONSIDERATION FOR BARBADOS WILL BE TO RETAIN PROTECTION FOR ITS SUGAR, WHICH REMAINS ITS SINGLE LARGEST EXPORT, AND WILL CONTINUE TO BE SO FOR THE INDEFINITE FUTURE.

(B) AT THIS STATE IT IS DIFFICULT TO PREDICT WHETHER THE LDC'S WILL PARTICIPATE BY NEXT MAY. WHETHER OR NOT THEY DO WILL DEPEND UPON WHAT KIND OF ARRANGEMENTS THE FOUR MDC'S ARE ABLE TO NEGOTIATE WITH THE EEC AND WHETHER THEY ARE MORE FAVORABLE THAN THE ARRANGEMENTS THE LDC'S WILL RECEIVE AS UK DEPENDENCIES UNDER PART IV. AS THE GEORGETOWN ACCORD RECOGNIZED, THE SMALLER ISLANDS DO NOT NECESSARILY HAVE TO NEGOTIATE WITH THE EEC. IF THEY SEE SOME CONCRETE ECONOMIC BENEFIT TO BE DERIVED FROM ACCESSION TO THE CARIBBEAN COMMUNITY THEY WILL PARTICIPATE IN MAY. IF THEY DO NOT, THEY WILL PROBABLY SIMPLY EXTEND THE TIME PERIOD FOR ANOTHER YEAR OR SO. IN THE INTERIM THEIR ATTITUDE WILL BE "WAIT AND SEE."

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INFO OCT-01 ADP-00 RSR-01 AID-20 CIAE-00 COME-00 EB-11

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AT THIS STATE, IT APPEARS HIGHLY UNLIKELY THAT MONTserrat WILL PARTICIPATE. BOTH MONTserrat AND ANTIGUA'S FAILURE TO SIGN THE GEORGETOWN ACCORD AND MONTserrat'S OPPOSITION (UNLESS IT RECEIVES SPECIAL QUID PRO QUO'S FROM THE MDC'S) HAVE SIMPLY DRAMATIZED THE GENERAL RELUCTANCE OF THE SMALLER ISLANDS TO COMMIT THEMSELVES. CARIFTA HAS BENEFITED THE MDC'S, NOT THE LDC'S, AND THE SMALLER ISLANDS ARE UNDERSTANDABLY RELUCTANT TO JOIN THE COMMUNITY UNLESS IT WILL PROVIDE A SPECIFIC ADVANTAGE.

(C) THE GOB DEFINITELY SEES ITSELF AS A LEADER IN THE INTEGRATION MOVEMENT. WHEN IT APPEARED THAT THE GEORGETOWN ACCORD WOULD NOT BE SIGNED BY THE ANTIGUA REPRESENTATIVE, PM BARROW LEFT THE CONFERENCE BEFORE ITS CONCLUSION AND JOURNED TO ANTIGUA IN AN UNSUCCESSFUL PERSONAL ATTEMPT TO PERSUADE ANTIGUA'S PREMIER WALTER TO SIGN. IN PRACTICALLY EVERY PUBLIC UTTERANCE, BARROW, WHO TAKES CREDIT FOR BEING LIMITED OFFICIAL USE
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ONE OF THE PRIME MOVERS BEHIND THE FORMATION OF CARIFTA IN 1968, HAS REPEATEDLY EMPHASIZED THE GOVERNMENT'S COMMITMENT TO INTEGRATION AND THE CARIBBEAN COMMUNITY. INDEED, AS THE SMALLEST INDEPENDENT COUNTRY AND THE ONE WITH THE LEAST RESOURCES, INTEGRATION OF SOME KIND GIVES BARBADOS MORE CLOUT THAN IT WOULD OTHERWISE HAVE. THE GOB ALSO IS AWARE THAT IF IT DOES NOT TAKE AN ACTIVE LEADERSHIP ROLE, THIS ROLE WILL BE MONOPOLIZED BY THE OTHER MDC'S, ESPECIALLY JAMAICA, POSSIBLY TO BARBADOS' DISADVANTAGE.

(D) THE PRIVATE SECTOR HAS GENERALLY BEEN SILENT IN BARBADOS OTHER THAN EXPRESSING CAUTION AND CONCERN ABOUT THE INCREASED COST OF LIVING THAT MAY BE EXPECTED. GOB DELEGATES TO THE CARIBBEAN ASSOCIATION OF INDUSTRY AND COMMERCE REPORTED CAIC VIEWS CALLING FOR A DELAY UNTIL THE PRIVATE SECTOR COULD STUDY THE PROPOSALS, BUT THE BARBADOS CHAMBER OF COMMERCE AND OTHER GROUPS HAVE MADE NO OFFICIAL REPRESENTATIONS ON THE SUBJECT TO THE GOB. THERE SEEMS LITTLE REAL AWARENESS OF THE PRACTICAL IMPLICATIONS FOR BARBADOS OF A COMMON MARKET. THERE IS INCREASING ANXIETY, HOWEVER, BASED ON PRESENT FOOD SHORTAGES, THAT SINCE THE OTHER THREE INDEPENDENTS ARE UNLIKELY TO BE ABLE TO MEET BARBADOS FOOD REQUIREMENTS, SUPPLIES WILL HAVE TO COME FROM OTHER SOURCES AT A MUCH HIGHER COST. THE PRESENT RICE SHORTAGE IS A GOOD EXAMPLE (A-114, ITEM 3). IT IS QUITE OBVIOUS THAT AS PRESENTLY CONSTITUTED, THE AREA'S MARKETING

AND DISTRIBUTION SYSTEM IS NOT ADEQUATE TO MEET ITS REQUIREMENTS.
THE AGRICULTURAL SECTOR IN THE EASTERN CARIBBEAN IS COMPLETELY
INCAPABLE OF MEETING THE AREA' S FOOD REQUIREMENTS.

(E) THE WORD " POLITICAL FEDERATION" IS STILL ANATHEMA TO THE
GOB, WHICH WOULD NEVER ADMIT POLITICAL COOPERATION AS A
DESIRABLE " SPIN- OFF" FROM ECONOMIC INTEGRATION. BUT IN
PRACTICE THERE WILL UNDOUBTEDLY BE INCREASED JOINT POLITICAL
ACTION, SINCE THE FOUR INDEPENDENTS NOW HAVE INSTITUTIONALIZED
A LARGER FORUM THAN WHEN EACH ACTED ALONE. THEY HAVE DISCOVERED,
IN THEIR JOINT RECOGNITION OF CUBA, FOR EXAMPLE, THAT FOUR
CUT MORE ICE THAN ONE AND GET MORE INTERNATIONAL ATTENTION.
THEY CAN BE EXPECTED TO ACT IN CONCERT AGAIN ON POLITICAL
MATTERS WHENEVER IT SEEMS DESIRABLE TO DO SO, BUT THEIR
POLITICAL COOPERATION IS NOT NECESSARILY RELATE TO ECONOMIC
ISSUES.

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(F) BARBADOS HAS ALREADY STARTED TO CHANGE ITS TARIFF STRUCTURE.
AS REPORTED IN BRIDGETOWN 0781, THE PM IMPLEMENTED THE COMMON
EXTERNAL TARIFF ON 387 ITEMS ON JUNE 1. SINCE BARBADOS'
TARIFF IS LOWER THAN THE OTHER THREE, THIS HAS MEANT MASSIVE
INCREASES IN MOST CASES. THE INCREASES IN THE TARIFF STRUCTURE
WILL DEFINITELY PUT U. S. EXPORTS AT A DISADVANTAGE. IT WILL
ALSO PUT COMMONWEALTH EXPORTS AT A DISADVANTAGE THOUGH NOT
QUITE TO THE SAME EXTENT. IT IS OUR VIEW, HOWEVER,
THAT ONE OF THE REASONS THE CARIBBEAN COMMUNITY AND COMMON
MARKET IS TO COME INTO EFFECT AUGUST 1 IS TO GIVE THE CARIBBEANS
SOMETHING TO NEGOTIATE WITH IN EXCHANGE FOR ACCEPTANCE OF THEIR
AGRICULTURAL MARKETS BY THE EEC. HOWEVER, IF THE TARIFFS
REMAIN AT THEIR PRESENT LEVELS, US SHARE OF THE MARKET CAN BE
EXPECTED TO DECLINE. THE US SHARE WAS 21 PERCENT IN 1970,
18 PERCENT IN 1971, AND EVEN LESS IN 1972, ALTHOUGH FINAL FIGURES
ARE NOT YET AVAILABLE.
DONOVAN

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